WASHINGTON – The following are remarks prepared for delivery by Congressman Spencer Bachus at today's hearing by the House Financial Services Committee.

Thank you, Chairman Frank, for holding today's hearing on foreclosure mitigation efforts by the private sector. Continuing problems in the housing market and the economy have left millions of Americans at risk of foreclosure. This requires the Committee to consider solutions that balance the interests of homeowners and investors, while also protecting American taxpayers from being asked to foot the bill for bad decisions made by irresponsible lenders, speculators and borrowers.

Our mortgage finance system has come a long way from the days when a local bank issued mortgages based on a loan officer's familiarity with the borrower and the property being financed. Because the bank kept the mortgage on its books, it had every reason to ensure that the borrower could and would pay that loan off. If the borrower got into trouble, the bank could decide whether it made more sense to foreclose on the property or to work with the borrower to reach an accommodation that benefited both the borrower and the bank.

The development of a robust secondary market for residential mortgages in recent years fundamentally changed both the borrower-lender relationship and the process for addressing mortgage delinquencies and defaults. Through the securitization process, mortgages that once remained on banks' balance sheets were increasingly sliced and diced and packaged into mortgage-backed securities and other structured investment products, and sold to investors around the world. Because of the complexity of the legal structures into which the mortgages were sold – often featuring multiple tranches and investors with potentially conflicting interests – a mortgage servicer operating under a legal duty to maximize the returns of all of the investors faces a truly thankless task. Fear of being sued by unhappy investors has served as a powerful disincentive for mortgage servicers considering whether to modify a troubled borrower's mortgage.

In a situation like this, in which investors and servicers seem unable or unwilling to do what is necessary not only to help struggling homeowners but to protect their own interests, I can understand the frustration of many Members of this Committee at the slow pace of loan modifications. Many of my constituents have contacted my office expressing similar concerns. Yesterday's announcement by major lenders and Fannie and Freddie of a program that will streamline the modification process to reach more at-risk borrowers is welcome news in this regard, but more remains to be done.

While we are all committed to preventing avoidable foreclosures, we must also keep in mind that any effort to rewrite contracts between investors, servicers, and borrowers could have lasting effects on the willingness of investors to direct their capital to where it is most needed and most productive. That is why Republicans have strongly opposed legislative proposals to permit bankruptcy judges to alter the terms of primary mortgages, or to impose foreclosure moratoriums that violate the sanctity of contracts. We need to figure out how to fix the problems we face today without destroying the legal and economic foundation on which we will build tomorrow’s recovery.

In closing, Mr. Chairman, I hope today’s hearing will help provide the Committee with some answers on how we can establish a unified approach for lenders and servicers to achieve sustainable loan modifications that help worthy borrowers remain in their homes.